

Message Text

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TO USINT CAIRO

AMEMBASSY TRIPOLI

S E C R E T STATE 060892

EXDIS

FOLL SENT ACTION SECSTATE INFO ADDIS ABABA JIDDA LONDON FRO

SANAA 31 MAR 73 REPEATED TO YOU QUOTE

S E C R E T SANAA 0517

EXDIS

E. O. 11652: GDS

TAGS: YE, YS, SA, PFOR, MCAP, MOPS

SUBJECT: YARG REQUEST FOR URGENT MILLITARY ASSISTANCE

ADDIS ABABA PASS AMBASSADOR CRAWFORD

REF: SANAA 510; STATE 59826

SUMMARY. COL. IRYANI GAVE US DETAILED BRIEFING AFTERNOON MARCH 31.

FROM SOURCE IN OPERATIONS CENTER PDRY, YARG HAS LEARNED OF PLANS
TO

SEIZE BAB AL- MANDEB WITH PUTATIVE DATE OF APRIL 10. POSSIBLE SECOND
STAGE WOULD INVOLVE ADVANCE ON TAIZ. YARG FORCES OUTNUMBERED AND
OUT-

GUNNED. INFORMATION CONVEYED TO SAG THROUGH ITS MILATT HERE TWO
DAYS AGO. IN ADDITION ORDER BATTLE INFO ON PDRY DEVELOPED JOINTLY
WIHH SAG, IRYANI CLAIMS TO HAVE CONFIRMED EYEWITNESS SIGHTING OF
TWENTY

THREE MIG-21' S AT ADEN. IRYANI ALSO MENTIONED OBSERVED SOVIET BUILD-
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UP ON PERIM AND BELIEVES PURPOSE OF EXPECTED ATTACK IS TO ESTABLISH "CORDON SANITAIRE" AROUND PERIM. IRYANI GAVE ME TRIMMED LIST OF ARMS URGENTLY NEEDED. ACTION REQUESTED: RECOMMEND CONSULTATIONS WITH SAG AND HMG. ALSO REQUEST INPIC COVERAGE OF AREA.

1. CIC, COL MUHAMMAD IRYANI RECEIVED BUCK AND MYSELF 5:00 P. M. MARCH

31. AS PROMISED BY PRIMIN, IRYANI GAVE US DETAILED BRIEFING ON MILITARY SITUATION ALONG BORDER AND REASONSLYARG EXPECTING ATTACK. SOURCE FOR INFORMATION ON ATTACK, ACCORDING TO IRYANI, IS AGENT WITHIN OPERATORADE FAIR DUE TO OPEN APRIL 15. CONOCO IS THE SECOND US OIL FIRM WHICH WE KNOW TO HAVE RECEIVED AN INVITATION TO THE PRC.

2. THE FIRST APPEARS TO HAVE BEEN SOHIO, WHOSE REPRESENTATIVES WERE RECENTLY IN PEKING, ACCORDING TO CANADIAN COMMISSION SOURCES IN HONG KONG. THOSE TALKS WERE APPARENTLY RELATED TO A RECENT SALE TO THE PRC OF SOHIO TECHNOLOGY FOR USE IN AN ACETYLENE PLANT PURCHASED FROM JAPAN'S ASAHI COMPANY. HOWEVER, SOHIO REPRESENTATIVES PROBABLY TOOK THE OPPORTUNITY TO DESCRIBE OTHER SERVICES WHICH SOHIO COULD PROVIDE CHINA IN VARIOUS ENERGY FIELDS.

3. OVER THE PAST YEAR, A WIDE VARIETY OF US OIL FIRMS HAVE APPROACHED THE PRC, MOST WITH AN EYE TO PEKING'S PRESUMED (BUT UNPROVEN) VAST AND RICH OFFSHORE OIL RESERVES IN THE PBAI GULF AREA. MOST OF THESE FIRMS -- OR IN SOME CASES PROPOSED CONSORTIA OF SPECIALIZED US OIL COMPANIES-- WOULD LIKE TO PROVIDE A FULL RANGE OF OFFSHORE OIL EXPLORATION AND EXTRACTION SERVICES TO THE PRC.

4. THUS FAR WE HAVE HEARD LITTLE IN THE WAY OF A POSITIVE PRC RESPONSE TO THE US AAPROACHES. MOREOVER, WE UNDERSTAND THAT BRITISH OIL COMPANIES (INCLUDING BP) HAVE HAD DISCUSSIONS WITH THE CHINESE BUT THAT THOSE TALKS FOUNDERED ON THE UNREALISTICALLY LOW PRICES THAT THE PRC WAS PREPARED TO PAY FOR TECHNOLOGY AND SERVICES RENDERED. IN ADDITION, THE CHINESE HAVE RESPONDED TO JAPANESE OVERTURES BY CLEARLY STATING THAT THEY WILL NOT ENGAGE IN "JOINT VENTURES" WITH FOREIGN FIRMS IN THE EXPLOITATION OF THEIR OFFSHORE OIL RESERVES (TOKYO 0931). "JOINT VENTURE" SEEMS TO MEAN TO THE CHINESE, AMONG OTHER THINGS, ALLOWING THE FOREIGN FIRM TO TAKE PART OF ITS PAYMENT IN PRODUCT THAT IT CAN THEN MARKET AS IT WISHES.

5. DESPITE THESE NEGATIVE SIGNS, WE THINK THERE ARE

ARRANGEMENTS WHICH WOULD GO BEYOND THE MERE SALE OF EQUIPMENT,
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TECHNOLOGY AND LIMITED TRAINING BUT STOP SHORT OF " JOINT VENTURES" WHICH COULD GRADUALLY BECOME ACCEPTABLE TO THE PRC. THE PRECISE FORM OF SUCH ARRANGEMENTS WOULD, OF COURSE, EMERGE ONLY FROM DISCUSSIONS-- PROBABLY LASTING MANY MONTHS-- BETWEEN US OILMEN AND THEIR CHINESE COUNTERPARTS. THE INVITATIONS TO CONOCO AND SOHIO COULD WELL BE THE HARBINGER OF SUCH A DIALOGUE BETWEEN THE US OIL INDUSTRY AND THE PRC.

6. OUR VIEW DERIVES NOT FROM CONCRETE STATEMENTS OR EVEN HINTS BY PRC OFFICIALS, BUT RATHER FROM AN ANALYSIS OF CURRENT PRC TRADE TRENDS. ARRANGEMENTS FOR THE IMPORTATION OF WHOLE PLANT AND HEAVY CAPITAL EQUIPMENT BY CHINA ARE CURRENTLY PROCEEDING AT A RATE WHICH OUTSTRIPS ANY PREVIOUS PERIOD SINCE THE 1950'S WHEN CHINA'S BASIC INDUSTRIALIZATION PROGRAM BEGAN WITH HEAVY IMPORTATION OF PLANT AND EQUIPMENT FROM THE USSR. SINCE LATE DECEMBER CHINA HAS CONTRACTED FOR WHOLE PLANTS WORTH \$255 MILLION, BUT NUMEROUS INTELLIGENCE REPORTS AND PUBLICALLY AVAILABLE INFORMATION ON PRC DEALINGS WITH JAPANESE, EUROPEAN AND AMERICAN SUPPLIERS OF WHOLE PLANTS (MOSTLY PETROCHEMICAL AND IRON AND STEEL) INDICATE THAT THE LEVEL OF CHINESE PURCHASING WILL GO MUCH HIGHER AND MIGHT REACH AS MUCH AS \$1 BILLION IN THIS YEAR ALONE.

7. HAVING RELAXED THEIR MAOIST " SELF- RELIANCE" DOCTRINE TO ALLOW TAKING " DEFERRED PAYMENTS", THE CHINESE WILL FINANCE MANY OF THESE IMPORTS ON MEDIUM- TERM CREDITS; BUT ULTIMATELY, THIS WHOLESALE INCREASE IN PRC IMPORTS MUST BE PAID FOR BY AUGMENTED FOREIGN EXCHANGE EARNINGS, THE CONGEN HAS ALREADY REPORTED PRC EFFORTS TO INCREASE ITS FOREIGN EXCHANGE EARNINGS AND NOTED THE CONSTRAINTS WE SEE ON CHINA'S ABILITY TO ACHIEVE A LARGE AND SUSTAINED EXPORT EXPANSION BY BUILDING ON ITS PRESENT EXPORT BASE (HK 1226).

8. FACED WITH THE NEED FOR DEPENDABLE SOURCES OF FOREIGN EXCHANGE TO PAY FOR SUBSTANTIALLY INCREASED IMPORTS AND THE CONSEQUENT DEBT SERVICING, PEKING MAY WELL FIND EXPLOITATION OF ITS OIL RESOURCES AN INCREASINGLY TEMPTING WAY BOTH TO BOOST ITS DOMESTIC POWER SOURCES AND SIMULTANEOUSLY TO ACHIEVE A BREAKTHROUGH IN FOREIGN EXCHANGE EARNINGS BY EXPORTING OIL AND PETROLEUM PRODUCTS.

9. IF THE CHINESE WISH MERELY TO PURCHASE EQUIPMENT AND SOME
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TECHNOLOGY, ROMANIA, JAPAN AND WESTERN EUROPE WILL REMAIN CLOSE
COMPETITORS OF THE US FOR THE MARKET. IF, HOWEVER, THE CHINESE
OPT TO ACQUIRE EQUIPMENT AND TECHNOLOGY THAT REPRESENTS THE
STATE- OF- THE- ART (PARTICULARLY AS THEY MOVE INTO DEEP WATER
DRILLING), THEN THE US OIL INDUSTRY WILL HAVE AN EDGE ON THE
COMPETITION.
OSBORN

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